

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO**

IN THE MATTER OF:

SKYTEC, INC.

Debtor

CASE NO. 18-05288 (ESL)

CHAPTER 11

**REPLY TO LOGISTIC SYSTEMS, INC.'S OBJECTION
TO FINAL APPROVAL OF DISCLOSURE STATEMENT**

TO THE HONORABLE COURT:

Comes now Debtor through its undersigned counsel and very respectfully states and prays:

1. On September 12, 2018, Debtor filed its voluntary petition for reorganization under the provisions of Chapter 11 of the Bankruptcy Code, and as of that date has been operating its business and managing its affairs as a debtor in possession, as provided for in the Bankruptcy Code. See Docket No. 1.

2. On January 16, 2019, Debtor filed its Disclosure Statement and Plan of Reorganization. See Docket Nos. 91 and 92.

3. On January 23, 2019, this Court entered an order conditionally approving Debtor's Disclosure Statement. See Docket No. 97.

4. On March 15, 2019, Logistic Systems, Inc. ("Logistics") filed an objection to the approval of Debtor's Disclosure Statement. See Docket No. 130

5. Debtor will proceed to refute all the allegations contained in the objection

filed by Logistics in the same order as these were raised.

I. THE DEBTOR'S LIQUIDATION ANALYSIS IS INSUFFICIENT

6. Logistics alleges that Debtor's liquidation analysis is "insufficient" because it allegedly did not include alleged preferential transfers. The allegation of preferential transfer was previously made by Logistics via email to the undersigned counsel. Said email was properly answered as follows:

"First, in order for a debtor to recover any alleged preferential payments, it must prove several factors. One of said factors is that the payment was for or on account of a past-due debt owed by the debtor before the payment was made. The majority of the payments made within the 90 days before the bankruptcy filing were made only when the debt became due; and as such said debts were not past-due. Another factor that be proven is that the payments were made while the debtor was insolvent. Although the Bankruptcy Code provides an inference that the debtor is insolvent during the 90 days prior to filing a bankruptcy petition, in the instant case the debtor was solvent and as such all such payments cannot be recovered. See *Silverman Consulting, Inc. v. Hitachi Power Tools, U.S.A. (In re Payless Cashways, Inc.)*, 290 B.R. 689 (Bank. W.D. Mo. 2003) and *Heilig-Meyers Co. vs. Wachovia Bank NA (In re Heilig-Meyers Co.)* 328 B.R. 471 (E.D. Va. 2005).

Furthermore, even assuming, *in arguendo*, that the payments were made for past-due debts while the Debtor was insolvent, the payments could not be recovered insofar as they were made in the ordinary course of business. A mere glimpse into Debtor's records and *modus operandi* with all its creditors, including Logistics, shows that Debtor has always paid its creditors when it receives payments from the government's contracts. As such, all payments were made in Debtor's ordinary course of business.

In summary, there are no preferential transfers in the subject case insofar as all payments made by Debtor within the 90 days before the bankruptcy filing were made while Debtor was solvent, were for debts that were not past-due, and/or were made in the ordinary course of business."

7. As explained therein, there are no preferential transfers that Debtor could assert. As such, no inclusion was warranted in the disclosure statement and/or the liquidation analysis.

8. However, what is really troubling is the false allegation made by Logistics

Logistics at Page 7 of its motion regarding the payment or payments that were allegedly not disclosed by Debtor. In a feeble attempt to prove its allegation, Logistics includes as an exhibit the pages of the monthly operating report for September 2018 wherein it alleges that a payment in the amount of \$166,666 was made and not disclosed in the statement of financial affairs. However, in the very same page wherein the alleged payment is listed, a credit for the same amount is also listed. The explanation is obvious, the check was initially printed by mistake and was then voided. As such, the check is listed but the credit is also listed. A copy of the relevant pages of the reconciliation of the checking account with the items highlighted is attached hereto as well as a copy of the voided check. The question now is: how is it even possible that Logistics “independently confirmed” (see Paragraph 21 at Page 7 of Logistics’ motion) that said payment was made when in fact it was never made? These false statements, which are made in a clear effort to muddy the waters, should not only be stricken from the record but sanctioned by this Court.

9. In a further effort to try to discredit Debtor, Logistics submits a list of payments made to Debtor’s insiders, all of which were duly disclosed in the statement of financial affairs. All of said payments are part of the insiders’ compensation package as thoroughly discussed not only in the 341 Meeting of Creditors but also in the Rule 2004 Examination that was conducted by Logistics. There is no evidence whatsoever that said payments were illegal and/or unwarranted. But Logistics does not stop there, it continues to submit innuendos in an effort to muddy the waters by alleging that payments were made “on account of the personal credit cards of the Debtor’s officers”.

officers”. This truly exemplifies the bad faith in Logistics’ arguments. Debtor proceeded to respond a request for production of documents made by Logistics after the 341 Meeting wherein Debtor produce the documental evidence to prove that all the charges that were made in said credit cards were attributable to Debtor for purchases and expenses. Logistics’ silence regarding the abundant evidence that they have in their possession speaks volumes as to their true intention.

10. In summary, there are no potentially avoidance actions to disclose and/or to include in Debtor’s disclosure statement.

11. Lastly, Logistics alleges that Debtor’s Disclosure Statement does not provide adequate information about the valuations of its assets. Debtor directs the Court to the Liquidation Analysis included as Exhibit E of the Disclosure Statement. The same is not only comprehensive but goes far beyond the typical liquidation analysis. Simply put, Logistics’ allegation is not only legally groundless but factually false.

II. THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION ABOUT FEASIBILITY

12. It suffices to say that feasibility is a confirmation issue and not a disclosure issue. As such, this allegation will be addressed in the reply to the objection to the confirmation of Debtor’s plan.

13. Notwithstanding the aforementioned, it must be clarified that Debtor had no nonresidential real estate leases to assume insofar as the only two leases of such nature are month to month leases as duly disclosed in the schedules and thoroughly discussed in the 341 Meeting of Creditors.

III. THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION ABOUT THE CLASSIFICATION AND TREATMENT OF CLAIMS

14. The first allegation in this sub-section of Logistics' motion is regarding the deadline to object claims. As disclosed in the Disclosure Statement, said deadline was 30 days before the confirmation hearing. Since said period elapsed already, if Debtor wants to file an objection to claim, it must request leave from the Court. However, all creditors that had a contingent claim have a fiduciary duty to amend its claim upon the same becoming an allowed final claim. Debtor complied with its duty to disclose a deadline to file objections to claims and as such no further disclosure is needed.

15. Regarding the details of the collateral held by Oriental Bank, the disclosure statement provided the correct description. This is a fact well known by Logistics, who is the only entity objecting to the use of cash collateral.

16. Lastly, and as in all bankruptcy cases, the executory contracts are placed in a separate class because they are of a different nature than the general unsecured claims. In order for the Debtor to be able to assume an executory contract it must cure all pre-petition arrears. As such, this is one of the exemptions in the Bankruptcy Code for a debtor to pay pre-petition claims. In the instant case, Debtor will cure all pre-petition defaults upon the confirmation of its plan as detailed in the Disclosure Statement. All payments to be made are to cure the pre-petition claims of said claimants. A mere glimpse at the proof of claims filed in the captioned case shows that said claimants have pre-petition claims against the Debtor.

WHEREFORE, Debtor respectfully requests that this Court denies the objection to the disclosure statement filed by Logistics; proceeds with the final approval of Debtor's disclosure statement; and impose severe sanctions upon Logistics for the false representations made to the Court.

CERTIFICATE OF SERVICE: I hereby certify that on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the Assistant US Trustee, and all participants of CM/ECF.

San Juan, Puerto Rico, this 24th day of March, 2019.

s/ Alexis Fuentes-Hernández, Esq.

Alexis Fuentes-Hernández, Esq.
USDC-PR 217201

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check	Fecha	Deposito	Cheque	BALANCE
960598	8/31/2018	Secretario de Hacienda	702.24	30,269.94
	9/4/2018	service fee 8-31	10.04	30,259.90
	9/4/2018	reversi je2841	10.04	30,248.86
	9/4/2018	Fred Voltagio CHK: 6978	19.99	30,269.85
	9/4/2018	corregir ajuste service fee	20.08	30,289.93
	9/4/2018	Alex Homedo Roble CHK	24.99	30,314.92
	9/4/2018	Daniel Báez CHK: CASH	25.00	30,339.92
	9/4/2018	GENERAL OFFICE IND C	49.95	30,389.87
	9/4/2018	Stone & Tile CHK: 1064	49.98	30,439.85
	9/4/2018	Safe Life Ambulanc CHK:	99.96	30,539.81
	9/4/2018	New Modern CHK: 2624	149.94	30,689.75
	9/4/2018	Day and Night Tran CHK:	369.83	31,059.58
	9/4/2018	Saldaña ,Carvajal & Velez	2,894.85	33,954.43
	9/4/2018	Agencia Estatal Ma CHK:	1,233,975.56	1,267,929.99
8506	9/4/2018	Saldaña ,Carvajal & Velez -Riv	2,894.85	1,265,035.14
8506	9/4/2018	Saldaña ,Carvajal & Velez -Riv	2,894.85	1,262,140.29
8508	9/4/2018	Alfredo J. López Jimenez, CPA	1,000.00	1,261,140.29
8509	9/4/2018	Royal Properties Inc.	7,687.50	1,253,452.79
8510	9/4/2018	Oriental Bank	12,786.49	1,240,666.30
8511	9/4/2018	Central Credit Corp.	533.34	1,240,132.96
8512	9/4/2018	COMSITE	9,175.26	1,230,957.70
8513	9/4/2018	Firstbank	928.91	1,230,028.79
8514	9/4/2018	FirstBank	1,164.00	1,228,864.79
8515	9/4/2018	FirstBank	1,003.00	1,227,861.79
8516	9/4/2018	Felix Rodríguez	298.95	1,227,564.84
8517	9/4/2018	Gerardo Rivera	150.00	1,227,414.84
8518	9/4/2018	HUGO HERNANDEZ	1,000.00	1,226,414.84
8519	9/4/2018	José Dávila	900.00	1,225,514.84
8520	9/4/2018	MCS Life Insurance	9,061.62	1,216,453.22
8521	9/4/2018	Nadia Gonzalez Conde	92.85	1,216,360.37
8522	9/4/2018	Liberty Cablevision of PR	1,711.27	1,214,649.10
960595	9/4/2018	Great lakes	265.08	1,214,384.02
960597	9/4/2018	Pentagon Federal Credit Union	613.78	1,213,770.24
960600	9/4/2018	Secretario de Hacienda	1,279.91	1,212,490.33
	9/6/2018	Specialty Training CHK: A	149.94	1,212,640.27
8523	9/6/2018	SkyTec, Inc.	75,000.00	1,137,640.27
8524	9/6/2018	Jose Manuel Fernandez	751.99	1,136,888.28
8525	9/6/2018	William Fernandez Mascaro	20,108.00	1,116,780.28
8526	9/6/2018	Tessco	65,537.93	1,051,242.35
8528	9/6/2018	Adriel Longo	51,508.53	999,733.82
8529	9/6/2018	Fernando Carbonell Torres	10,056.33	989,677.49
8530	9/6/2018	Jorge Rivera	31,745.12	957,932.37
8531	9/6/2018	Lillian Ramos Medina	40,225.76	917,706.61
960601	9/6/2018	CREDIT CARD	1,286.13	916,420.48
960602	9/6/2018	ORIENTAL	5,000.00	911,420.48
960603	9/6/2018	CREDIT CARD	9,947.99	901,472.49
960604	9/6/2018	CREDIT CARD	574.68	900,897.81
960605	9/6/2018	CREDIT CARD	10,990.10	889,907.71

	9/7/2018	Danosa Caribbean I CHK	99.80		890,007.51
	9/7/2018	Warco Corporation CHK:	99.96		890,107.47
	9/7/2018	Specialty Training CHK: A	149.94		890,257.41
	9/7/2018	Puerto de Ponce CHK: 20	210.00		890,467.41
	9/7/2018	ADM SERVICIOS MED C	3,000.00		893,467.41
	9/7/2018	Municipio de San L CHK:	3,747.00		897,214.41
	9/7/2018	Municipio de San L CHK:	3,747.00		900,961.41
	9/10/2018	Speedcast 008539	3,700.00		904,661.41
	9/10/2018	REI 008538	4,010.40		908,671.81
	9/10/2018	Zoll Data 008543	13,122.32		921,794.13
	9/10/2018	Adriel Longo 008528	51,508.53		973,302.66
	9/10/2018	Shakil Shafique 008541	150,416.66		1,123,719.32
8527	9/10/2018	Adriel Longo		42,541.14	1,081,178.18
8532	9/10/2018	Daniels Electronics LTD		344,699.90	736,478.28
8533	9/10/2018	Kenwood Comm. Corp.		29,212.94	707,265.34
8534	9/10/2018	MVS Leading Satellite Communic		38,179.88	669,085.46
8537	9/10/2018	Peiker International Inc		558.00	668,529.46
8538	9/10/2018	REI		4,010.40	664,519.06
8538	9/10/2018	Jose Manuel Fernandez		464.35	664,054.71
8539	9/10/2018	Speedcast		3,700.00	660,354.71
8539	9/10/2018	Speedcast		3,700.00	656,654.71
8540	9/10/2018	Alfredo J. López Jimenez, CPA		3,200.00	653,454.71
8541	9/10/2018	Shakil Shafique		150,416.66	503,038.05
8542	9/10/2018	Shakil Shafique		1,250.00	501,788.05
8543	9/10/2018	Zoll Data		13,122.32	488,665.73
8543	9/10/2018	Zoll Data		13,122.32	475,543.41
8536	9/10/2018	REI		4,010.40	471,533.01
960596	9/10/2018	Internal Revenue Services		5,990.79	465,542.22
	9/11/2018	ORIENTAL 960609	3,433.74		468,975.96
	9/11/2018	Internal Revenue Service	5,990.79		474,966.75
8505	9/11/2018	TX RX Systems Inc./Bird Techno		4,805.43	470,161.32
8544	9/11/2018	AT&T		2,303.17	467,858.15
8545	9/11/2018	AT&T		3,525.44	464,332.71
8546	9/11/2018	AT&T		1,245.66	463,087.05
8547	9/11/2018	Henry Barreda Diaz		2,310.51	460,776.54
8548	9/11/2018	UNITED PARCEL SERVICE		804.28	459,972.26
8549	9/11/2018	Lincoln Financial Group		1,500.00	458,472.26
8550	9/11/2018	M&A CPA ADVISOR		35,000.00	423,472.26
8551	9/11/2018	Annie Astor		1,639.77	421,832.49
8552	9/11/2018	Secretario de Hacienda		540.00	421,292.49
8553	9/11/2018	Liberty Cablevision of PR		4,884.54	416,407.95
8554	9/11/2018	Vista Color		1,187.47	415,220.48
8555	9/11/2018	Carbonell & Co.		2,322.00	412,898.48
960606	9/11/2018	CREDIT CARD		11,809.04	401,089.44
960607	9/11/2018	AFLAC		2,079.28	399,010.16
960608	9/11/2018	American Express		2,387.69	396,622.47
960609	9/11/2018	ORIENTAL		3,433.74	393,188.73
960609	9/11/2018	ORIENTAL		8,671.65	384,517.08
960610	9/11/2018	CREDIT CARD		694.46	383,822.62
960611	9/11/2018	CREDIT CARD		316.33	383,506.29

960612	9/11/2018	CREDIT CARD		360.00	383,146.29
960613	9/11/2018	Secretario de Hacienda		3,115.18	380,031.11
960614	9/11/2018	Munic. de Cataño		265.52	379,765.59
	9/12/2018	CREDIT CARD 960612	360.00		380,125.59
	9/12/2018	Secretario de Hacienda 9	3,115.18		383,240.77
8558	9/12/2018	Fuentes Law Offices ,LLC		11,017.00	372,223.77
8559	9/12/2018	Kenwood Comm. Corp.		1,024.66	371,199.11
8560	9/12/2018	Tessco		331.29	370,867.82
960612	9/12/2018	CREDIT CARD		360.00	370,507.82
	9/13/2018	Specialty Training CHK: ACH		149.94	370,357.88
	9/13/2018	Jose Manuel Fernandez C	476.57		370,834.45
8507	9/13/2018	Jose Manuel Fernandez		476.57	370,357.88
8507	9/13/2018	Jose Manuel Fernandez		476.57	369,881.31
960603	9/13/2018	CREDIT CARD		7,725.96	362,155.35
960603	9/13/2018	CREDIT CARD		3,457.69	358,697.66
960604	9/13/2018	CREDIT CARD		838.90	357,858.76
960611	9/13/2018	CREDIT CARD		88.62	357,770.14
960612	9/13/2018	CREDIT CARD		165.00	357,605.14
	9/14/2018	AEROSTAR Airport H CH	174.93		357,780.07
8556	9/19/2018	Caribbean Shipping Services		150.00	357,630.07
8557	9/19/2018	Wilma Padilla		486.09	357,143.98
	9/25/2018	Oficina del Contra CHK: A	174.93		357,318.91
	9/28/2018	Cuerpo De Emergenc CH	9,287.00		366,605.91
	9/28/2018	Agencia Estatal Ma CHK:	49,560.00		416,165.91
	9/30/2018	diferencia		0.38	416,165.53
	9/30/2018	service fee		7.81	416,157.72
	9/30/2018	diferencia pago credit car	0.19		416,157.91
	9/30/2018	Caribbean Shipping Servi	150.00		416,307.91
			1,544,365.01	1,158,327.04	

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Check: 008541

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Shakil Shafique

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SKYTEC, INC.
500 ROYAL INDUSTRIAL PARK
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TEL (787) 275-5454

FIRSTBANK
CAYEY BR. 14
10-7147/2215

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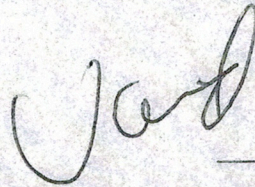
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AUTHORIZED SIGNATURE



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SKYTEC, INC.

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